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MALTA-UK: The London talks narrowed the gap on almost all issues, but some financial questions remain unsettled.

The meeting yesterday between Prime Ministers Mintoff and Heath resulted in progress on crucial bilateral issues. Mintoff accepted new and more generous British proposals that call for a gradual phasing down of the number of Maltese employed by UK forces. In addition, both sides appear to have come close to an understanding on the key question of pay for Maltese serving in the British armed forces.

The chief remaining bilateral problems concern Mintoff's demands that Britain stand by its offer to the previous Maltese government of $7.8 million in aid for improving the Malta drydocks, and that UK forces no longer be granted exemptions from certain import duties. In a reversal of its earlier position, London proposed splitting the difference on what Mintoff was demanding, but the Maltese leader rejected the compromise offer.

Mintoff is also continuing to insist on an additional, one-time payment of $13 million beyond the final UK-NATO offer of $36.4 million annually. NATO Secretary-General Luns was present during some of the negotiating sessions and will report today to the North Atlantic Council on the results of the talks.

Mintoff will return to Valletta today for consultations with his supporters on the current state of play of the talks. The Maltese parliament has been adjourned until 20 March, thus giving Mintoff additional freedom of action in bargaining with London. Prime Minister Heath reminded Mintoff that time is short and if the British completed their withdrawal an "entirely new situation" would be created. No further meetings have been scheduled and British Defense Secretary Lord Carrington said that the next move was up to Mintoff.

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CYPRUS: Archbishop Makarios may choose to resign soon in the face of mounting pressure from Athens and the Bishops of the Cypriot Church.

Athens has reiterated its demands of 11 February that Makarios turn over the controversial Czechoslovak arms to the UN forces and form a new government, excluding leftists and Communists--"anti-nationalist" elements. Makarios has not formally replied to these demands, but he has hinted at a willingness to compromise on the arms issue. The Greeks, however, are wary of the Archbishop's delaying tactics, and the new note reflects Athens' desire that Makarios respond quickly.

The day after the new note was delivered, two of the three Bishops insisted again that Makarios resign as president or face the consequence of being stripped of all ecclesiastical power. They argue that the church's prestige is damaged by the Archbishop's dispute with Athens. Massive demonstrations have underscored Makarios' popularity, but in the face of the Bishops' pressure, which has been supported indirectly by the most powerful Greek Orthodox leaders, he may choose to resign. He is probably convinced, despite the lack of hard evidence, that Athens is behind the Bishops' actions.

Makarios may have believed that he could outwit the Greeks as long as the problem was one between himself and the mainland. Now that the rift threatens church-state relations, the Archbishop may fear a civil war that could easily involve the Turkish Cypriot community and result in Greek or Turkish intervention. If he does resign, however, he may chance calling elections immediately in the hope of being returned triumphantly as secular and religious leader of the Greek Cypriot community.

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URUGUAY: The new government has acted to combat the country's long-standing economic ills by formally devaluing the peso and establishing a dual exchange rate system.

The formal devaluation of the trade rate is 50 percent, but additional fees previously charged make the effective devaluation about 35 percent. A floating rate for other transactions is intended further to relieve pressure on the peso. The new foreign trade rate will be changed frequently, in contrast to the previous practice of avoiding devaluation because of anticipated political repercussions. The government also will try to refinance the country's large foreign debt.

An attempt will be made to revive economic growth by raising public investment expenditures and encouraging private investments through tax incentives, technical assistance, and redirected credit. Efforts to cut the inflation rate through wage and price controls and budget balancing will be delayed for about six months while wages and prices are adjusted to compensate for the effects of devaluation. A private sector wage increase is to be granted on 1 April to match an increase already granted public sector employees. Moreover, prices of public services will be raised to reflect real costs, thereby reducing the need for government subsidies.

The decline in export earnings last year helped to produce a balance-of-payments deficit that sharply reduced foreign exchange reserves. Although the devaluation initially will help boost exports, severe inflationary pressures are likely to continue and sustained benefits will depend on frequent currency adjustments.

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